

HB854 Statewide Housing Study

Current Efforts, Future Needs, New Strategies

Background and Process



House Bill 854 (2020 Regular Session)

Directed DHCD
and Virginia
Housing to
conduct a
statewide
housing study



HB854 Components

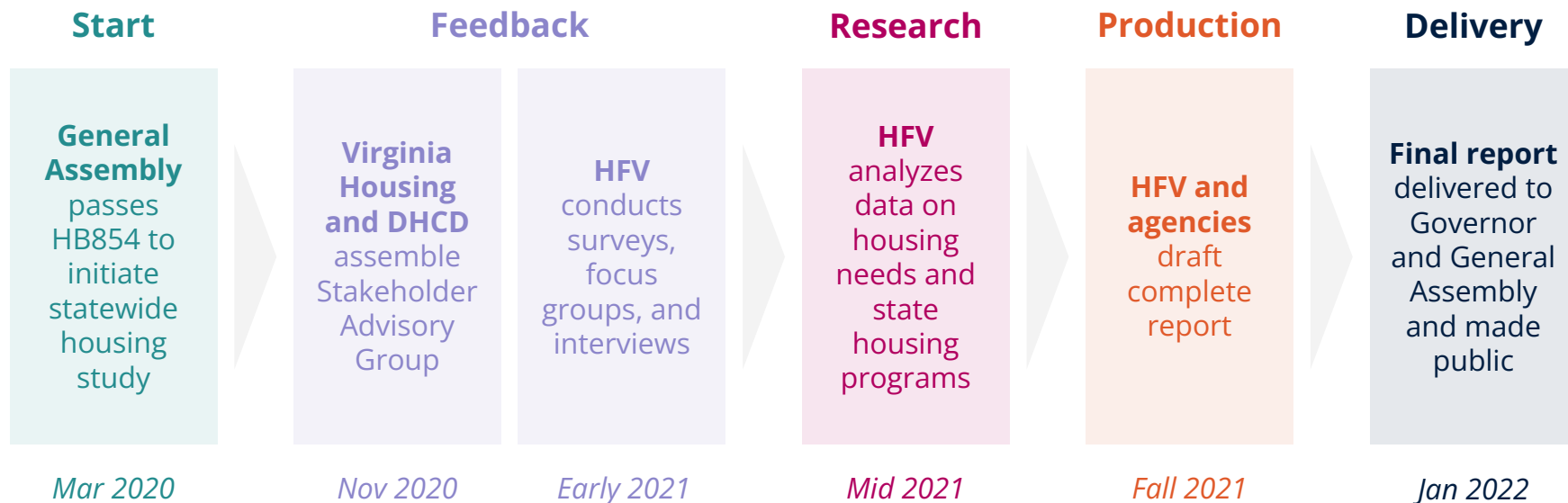
Four main asks:

1. Determine the **quantity and quality** of affordable and workforce housing
2. Review **current programs and policies**
3. Project **future housing needs**
4. Make **recommendations**

Specific focus areas:

1. State-funded rent subsidy program
2. Utility rate reduction for affordable housing
3. Real property tax reduction for affordable housing
4. Bond financing for affordable housing
5. Racial equity in housing

Report Process



HB854 Statewide Housing Study

Current Efforts, Future Needs, New Strategies

Major Findings and Policy Implications



Outline

- Rental market
- Homeownership
- Homelessness assistance and prevention



What's going on?

What's working well already?

Where are opportunities for improvement?



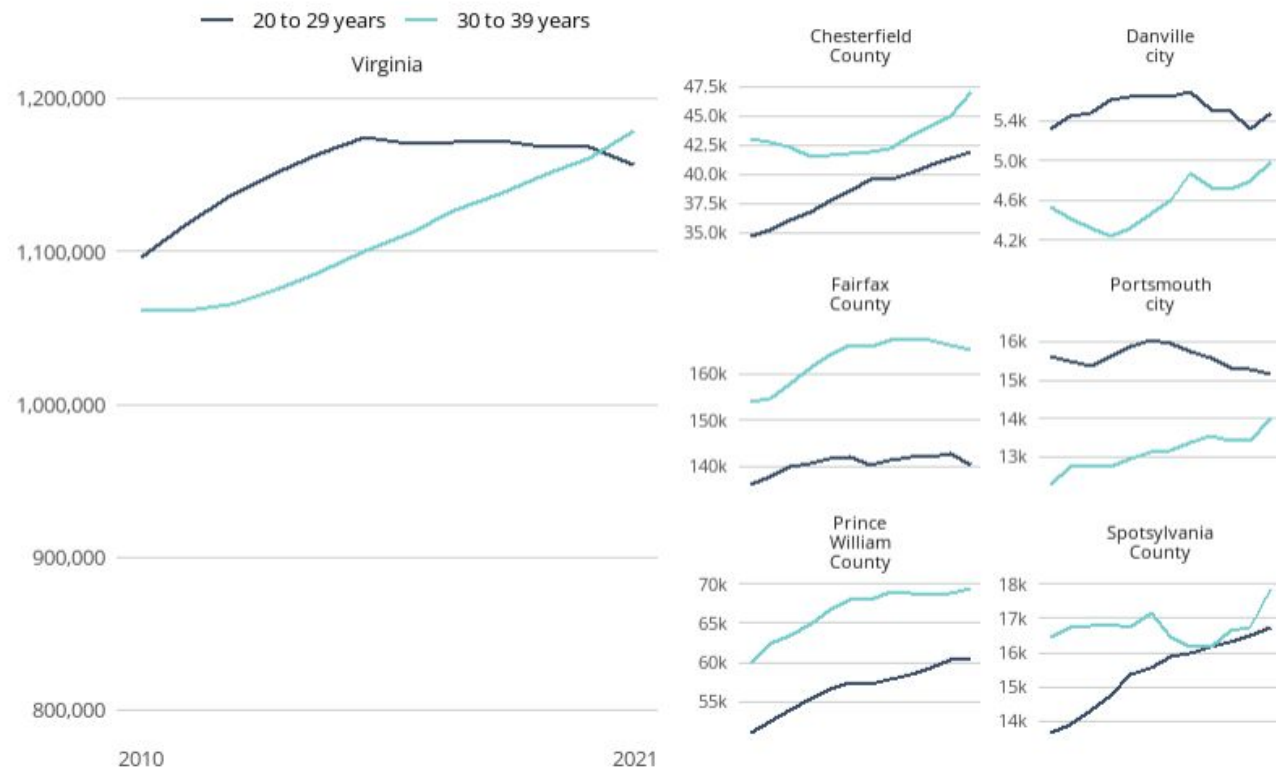


Virginia's Rental Market



Over the past decade, Virginia's millennials have reached full adulthood—and are looking for housing of their own.

Young adults by age group: 2010 to 2021



Source: U.S. Census Bureau, American Community Survey.

Continued job growth in metro housing markets sustains demand for new housing.

Change in total employment

Percent change in total employment from January 2000

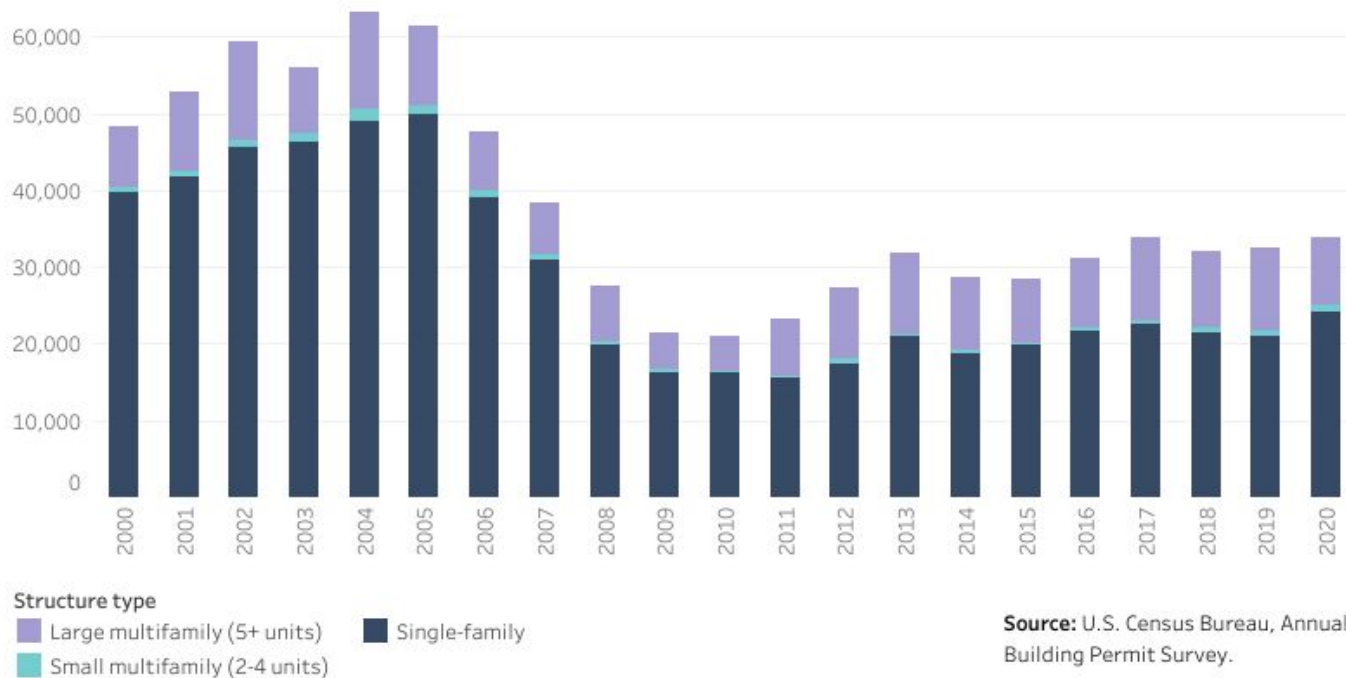


Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics.

Poor timing: we stopped building housing right when we needed it the most.

Annual building permits by structure type

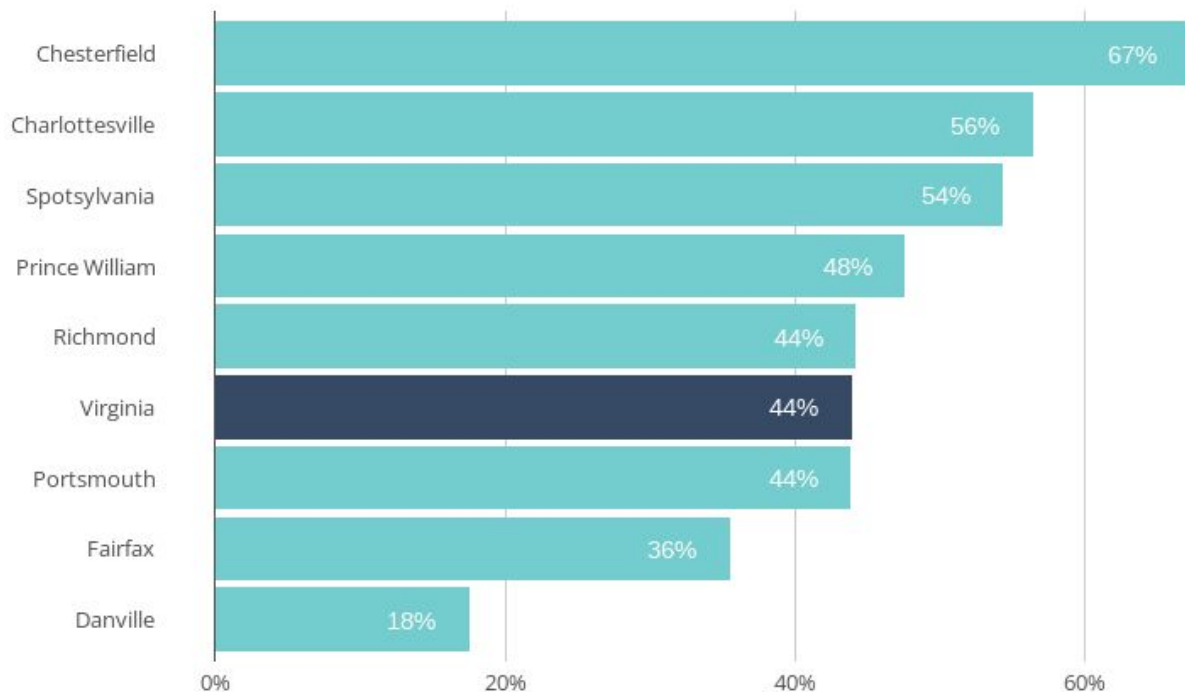
Statewide building permits by structure type (2000 to 2020)



Low supply +
Growing demand =
Rising rents

Percent change in median rent

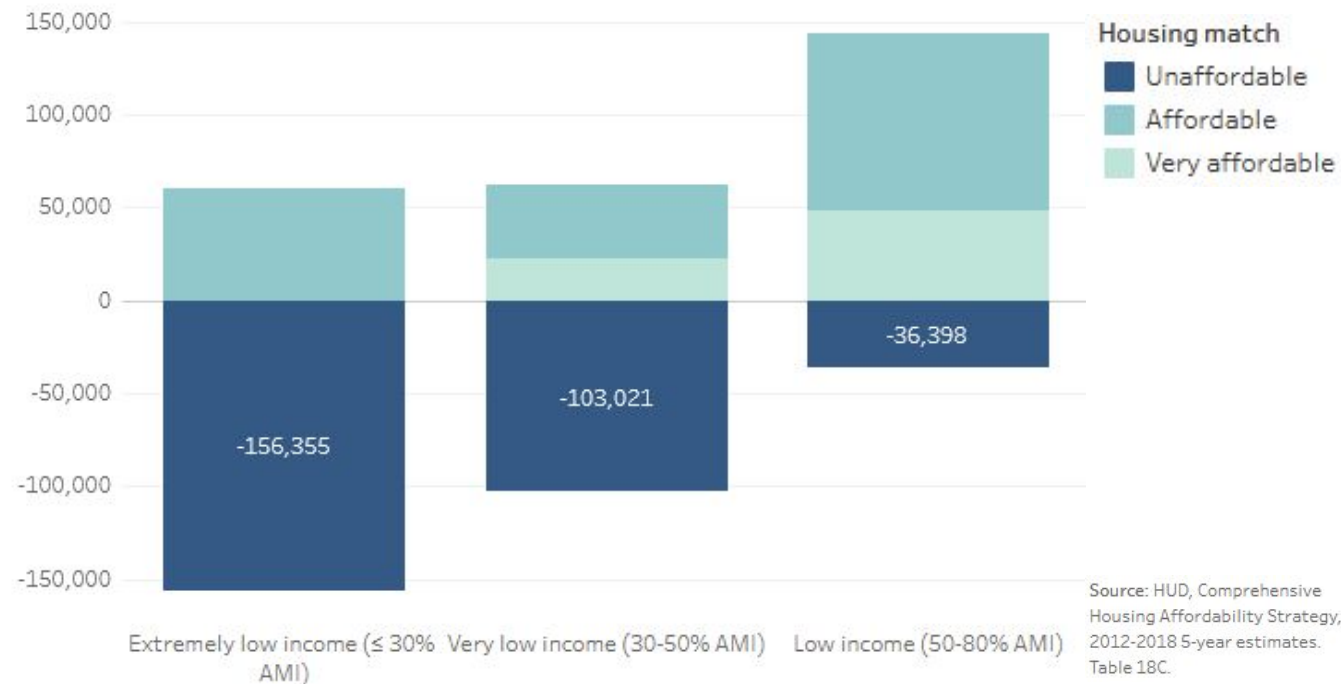
2011 Q1 to 2022 Q4



Source: CoStar Group, Inc.

Around 300,000 affordable homes are needed to eliminate rent burden for Virginia's low income renters.

Rental housing gap



What's working already?

Steady—and new—funding:

- Virginia is national leader on use of Private Activity Bond allocation for affordable housing (4 percent LIHTC projects, plus Mortgage Credit Certificates)
- New investments with big impacts:
 - Virginia Eviction Reduction Program
 - Virginia Housing Opportunity Tax Credit

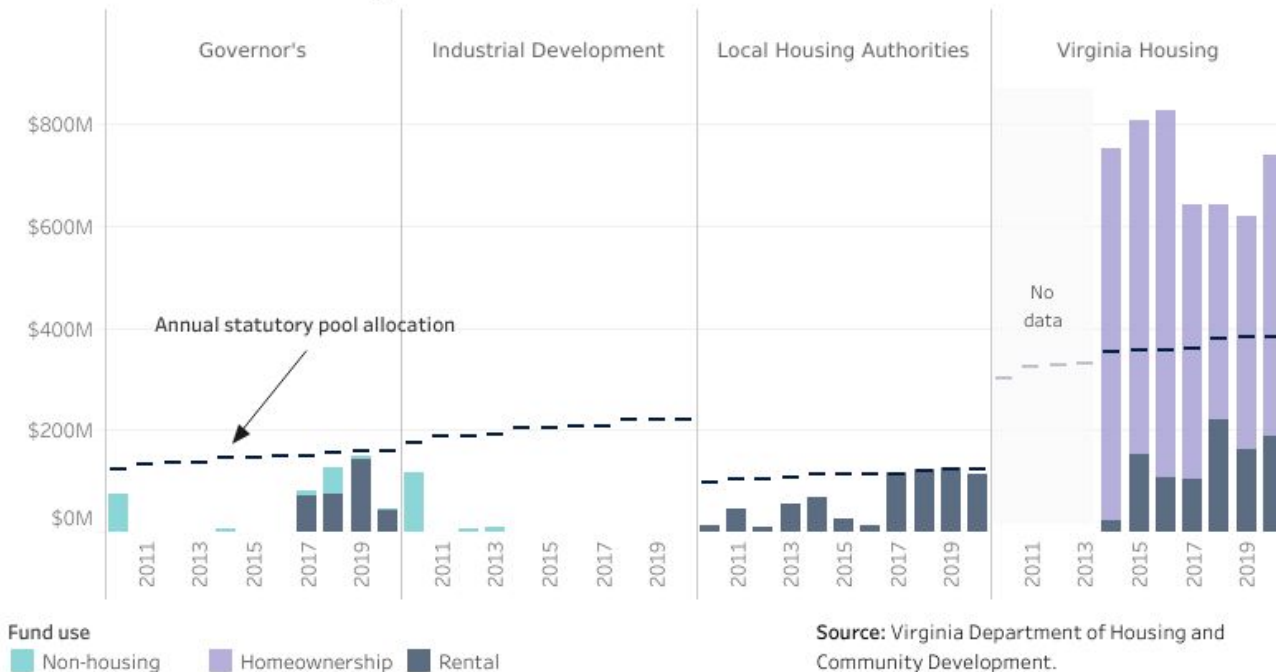
Efficient program administration:

- Developers give high ratings to state affordable rental production programs
- DBHDS State Rental Assistance Program (SRAP) is surpassing its goals to provide housing to renters with developmental disabilities

Nearly all of Virginia's Private Activity Bond allocation is used to create both affordable rental and homeownership opportunities.

Private Activity Bond use trends in Virginia

Annual PAB allocation and awards by pool and fund use



Source: Virginia Department of Housing and Community Development.

Opportunities for improvement

Supply side:

- Increase state support for expanding affordable rental supply:
 - Virginia Housing Trust Fund
 - Virginia Housing Opportunity Tax Credit
- Help localities explore GO bonds and special tax programs for housing
- Proactively address preservation needs in affordable housing communities with expiring subsidies

Demand side:

- Expand program support for deeper rental affordability to meet needs of households below 50 and 30 percent AMI
- Reduce eligibility barriers for assistance programs in line with national best practices

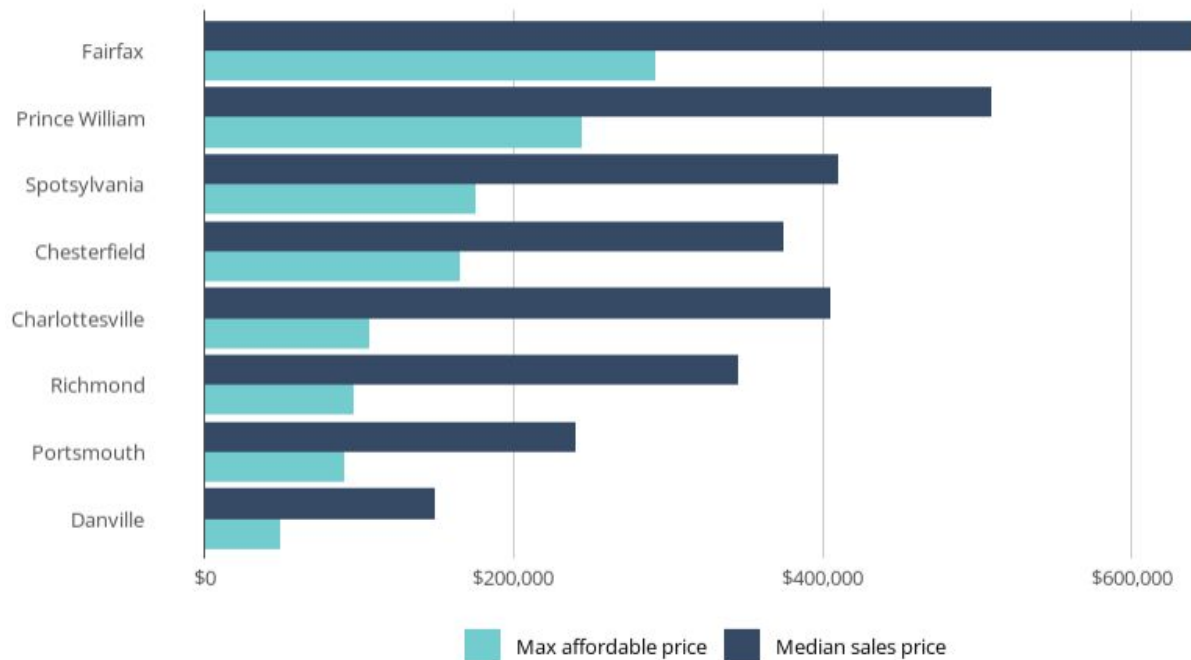
Homeownership in Virginia



Today, the average home for sale is out of reach for the average renter in every locality in Virginia.

Current median home price vs affordable price for renters

Based on 2021 median renter income and 2022 Q3 sales data

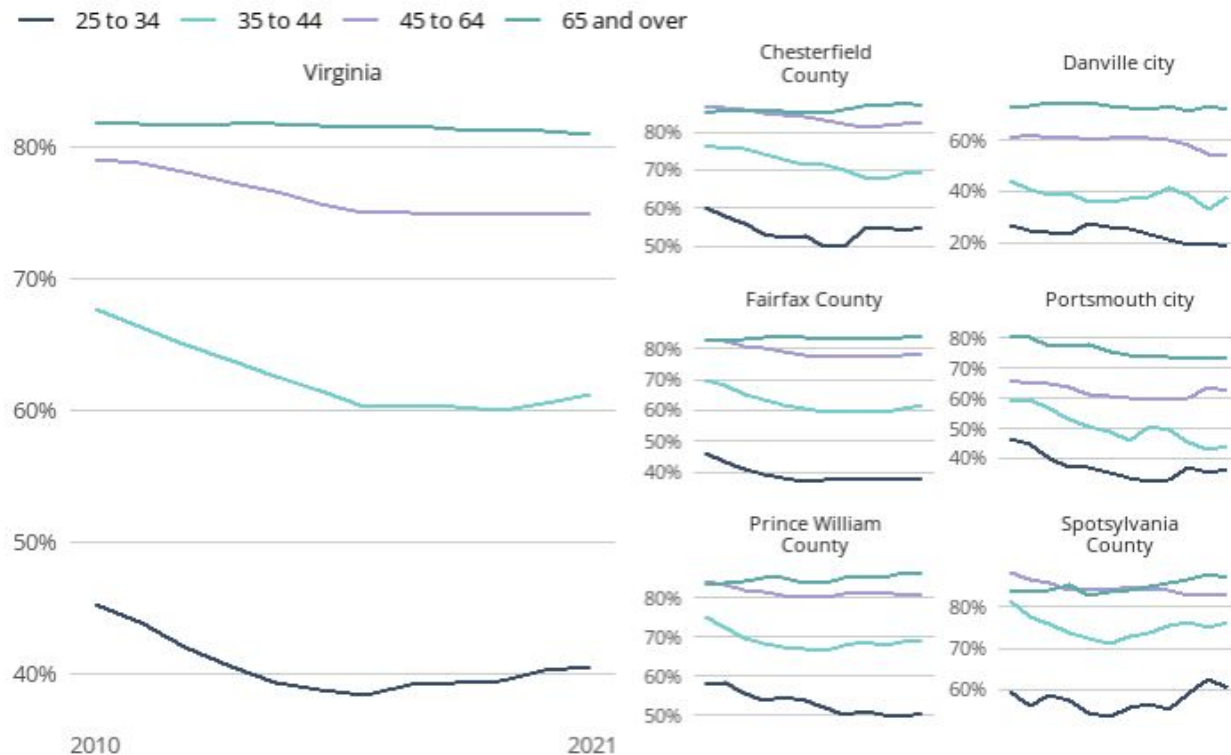


Sources: VirginiaREALTORS and American Community Survey.

Note: Affordable price calculated with 6.90% 30-year fixed rate.

Homeownership is much less common among young and middle-aged households than a decade ago.

Homeownership rate by age: 2010 to 2021

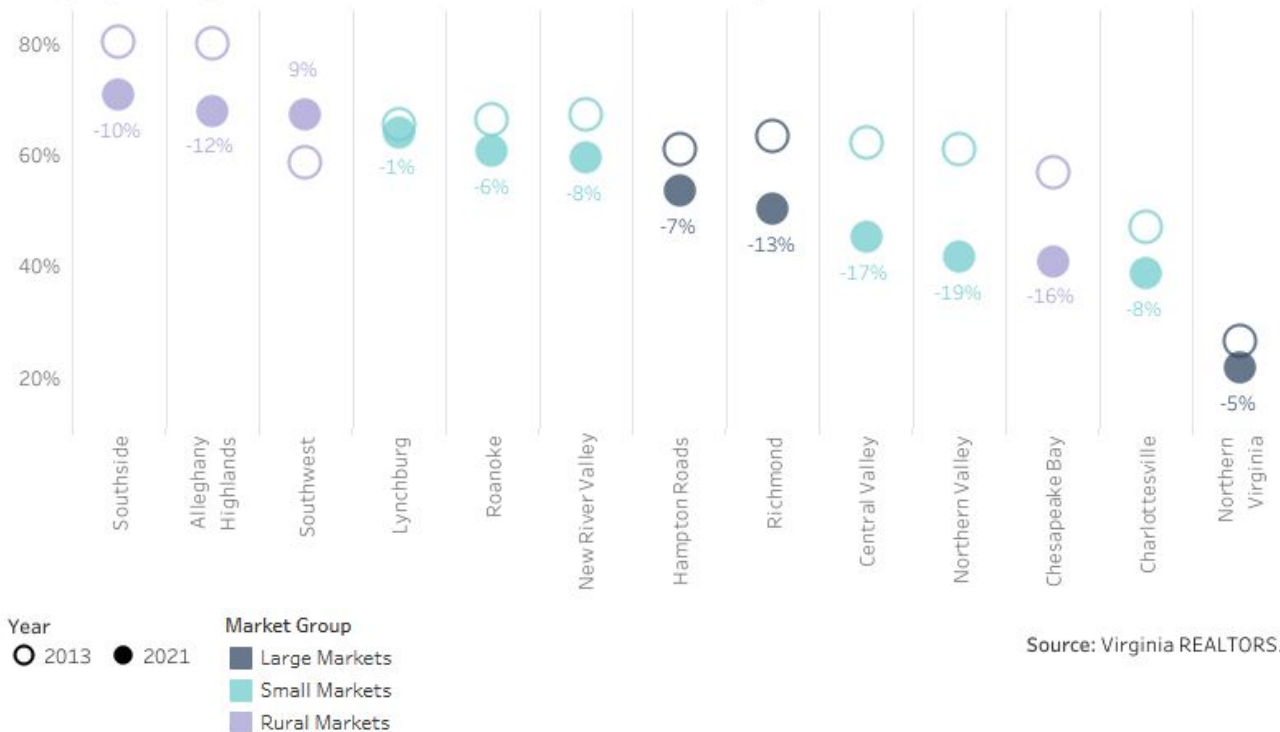


Source: U.S. Census Bureau, American Community Survey.

Homes affordable to buyers earning less than 80 percent AMI are becoming hard to find.

Availability of starter homes in Virginia

Change in percentage of all homes sold that were affordable at 80% AMI by market name: 2013 to 2021 YTD



Source: Virginia REALTORS.

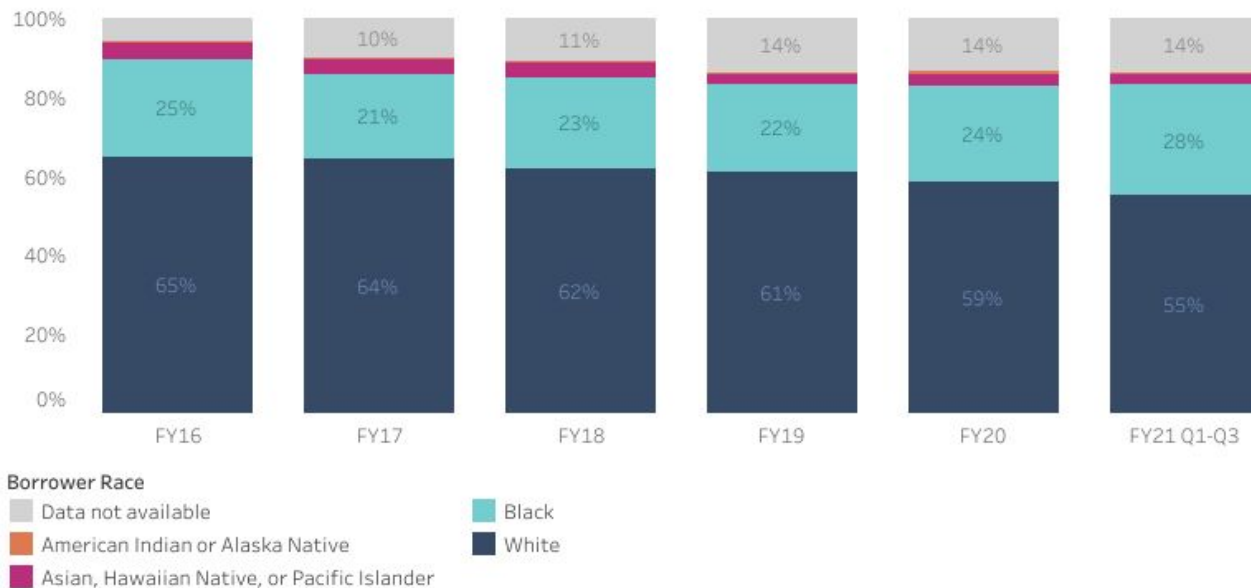
What's working already?

- Virginia Housing and DHCD offer wide array of home loans, homebuyer assistance, and education to promote homeownership
- Expanded use of Mortgage Credit Certificates
- According to stakeholders, homeownership programs are effectively designed, targeted, and administered
- Homebuyers of color are increasingly served by programs

Black Virginians are making up a larger share of first-time homebuyers with Virginia Housing mortgages.

Virginia Housing first-time homebuyers by race

Distribution of Virginia Housing first-time homebuyer borrowers by race



Source: Virginia Housing.

Opportunities for improvement

- Explore supply-side efforts to increase number of starter homes
- Recruit private homebuilders to participate in ASNH and other programs to improve/expand supply of affordable homeownership opportunities
- Continue to align down payment assistance programs for maximum effectiveness

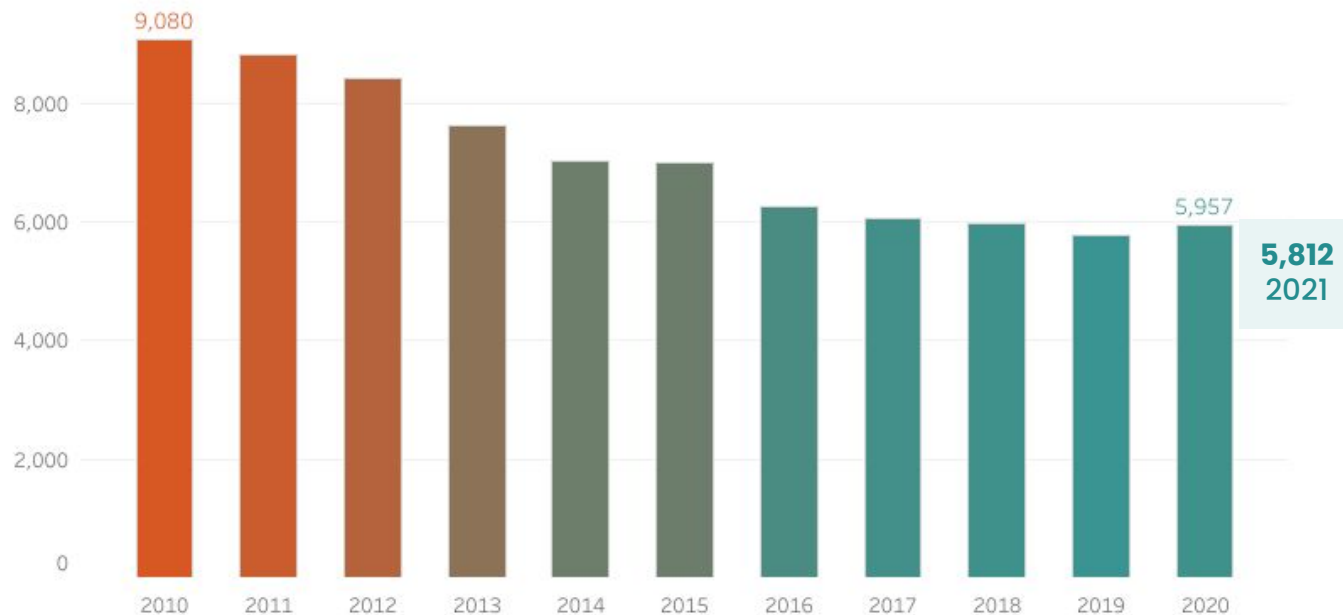


Homelessness Assistance and Prevention

Fewer Virginians experience homelessness thanks to improved and expanded programs.

Point-in-Time homelessness count for Virginia

Total persons experiencing homelessness: 2010 to 2020



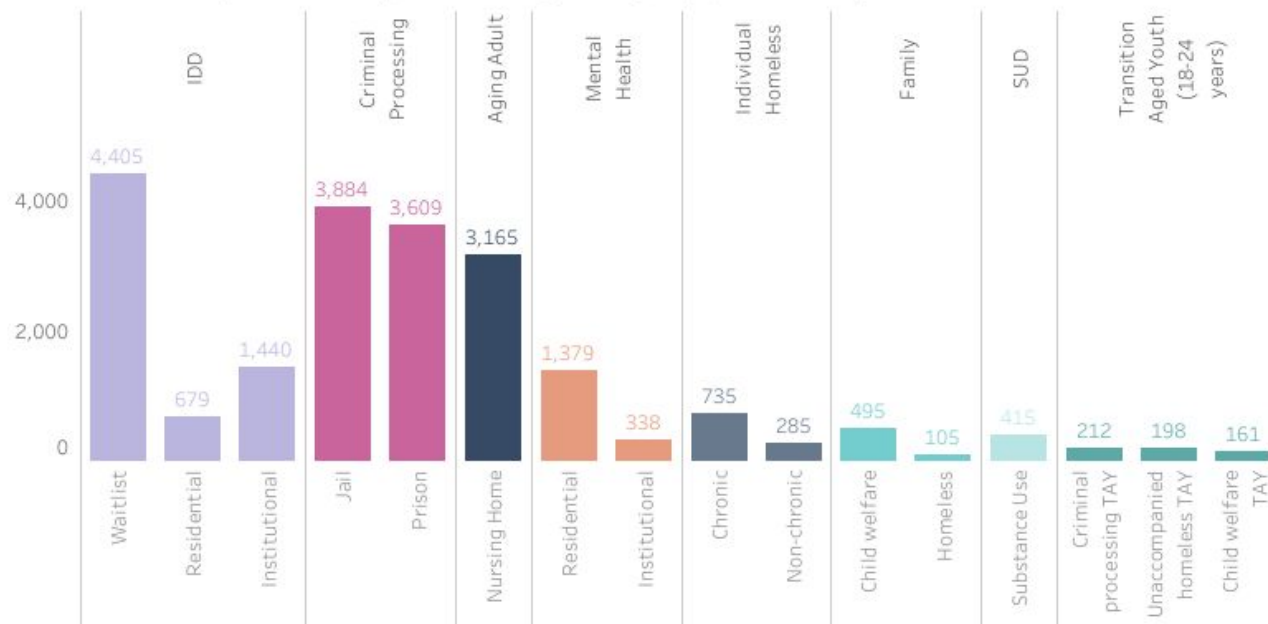
Source: HUD, Point-in-Time Estimates by State, 2010-2021.

At least 20,000 total permanent supportive housing units are needed in Virginia to meet current needs.

As of 2020, Virginia had 4,660 PSH units.

Demand for supportive housing in Virginia

Estimated number of persons with supportive housing needs by subpopulation and system



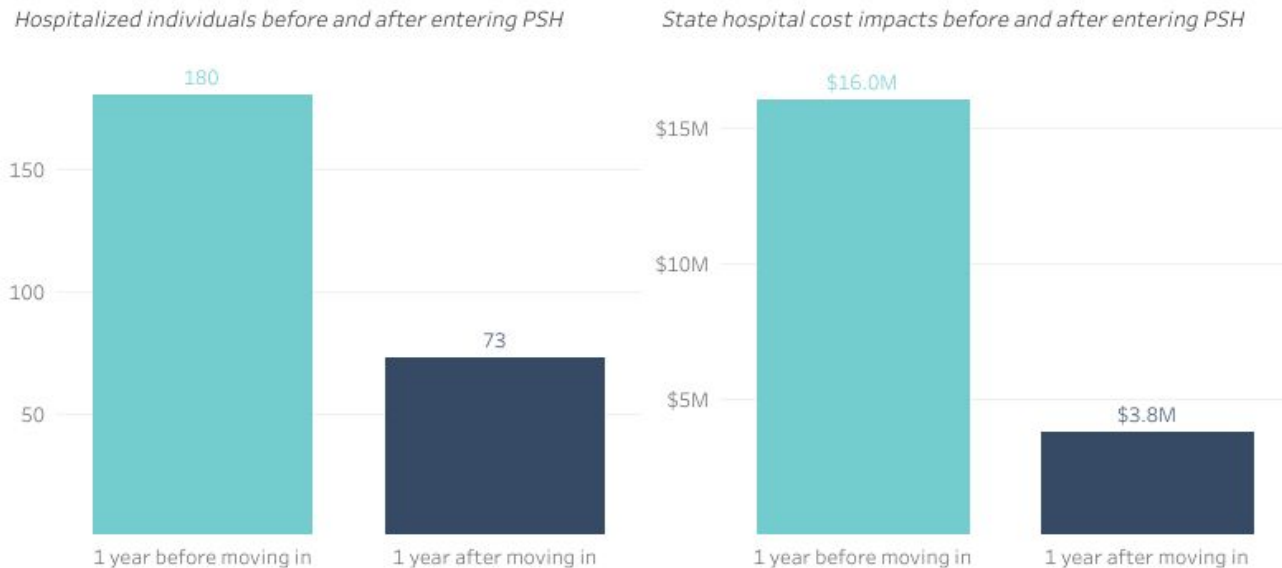
Source: The Corporation for Supportive Housing, Total Supportive Housing Need by State, 2020.

What's working already?

- Stable and increasing investments in the Virginia Homelessness Solutions Program and Homeless Reduction Grant are paying off
- Homeless Reduction Grant now used to fund permanent supportive housing
- Homelessness prevention programs are well-coordinated across the Commonwealth

Successful investments in supportive housing assistance lead to significant reductions in state hospital costs.

Fiscal savings from permanent supportive housing interventions



Source: Virginia Department of Behavioral Health and Developmental Services, Permanent Supportive Housing: Outcomes and Impact (Item 322 Z.2), December 3, 2020.

Note: Outcomes were measured from 809 individuals who entered permanent supportive housing at least one year before March 2020.

Opportunities for improvement

- Expand permanent housing solutions by orienting programs to increase the supply of deeply affordable housing
- Explore statewide rental assistance program to improve housing stability for very low income renters
- Continue to build on collaborative efforts of Governor's Coordinating Council on Homelessness and Housing for Vulnerable Populations

Main takeaways

- HB854 study took two full years to complete and gathered input from hundreds of administrators, providers, experts, and advocates
- COVID-19 amplified Virginia's underlying housing shortage, especially for Virginia's low-income renters and others with unstable housing situations
- Virginia has successful housing programs and is increasing investments, but more funding and strategic reforms are needed to meet demand

Interactive online version:

bit.ly/hb854study

Download PDFs for:

Executive summary

(16 page infographic)

Full report

(426 pages)